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¶1. (U) Summary. This is Volume 8, issue 12 of U.S. Embassy Pretoria's South Africa Economic News Weekly Newsletter.

Topics of this week's newsletter are:
- Civil Construction Boom
- Increase in World Cup-Related Investments
- Dubai Group Game for Investment
- Cisco to Open Technical Skills Facility
- Coca Cola Opens Quality Testing Lab
- Eskom Resumes Load-Shedding
- Green Light for New Power Station
- SAG Rolls-Out "Green" CFL Lamps
- 15 Million Euro Carbon Credit Deal
- Undersea Cable Gets Green Light
- Tribunal Approves Neotel Acquisition
End Summary.

Civil Construction Boom

¶2. (U) The civil construction sector is expected to grow 33% in 2008, while the residential and nonresidential construction market is heading for slow growth. The boom may last through at least 2015, propelled by government infrastructure spending of R560 billion ($70.9 billion) over the next three years, on top of planned spending by public utility Eskom of R1 trillion ($126.6 billion) on new power plants. Strong demand and rising commodity prices are also driving expansion in mining, which will benefit the construction sector. According to South African Reserve Bank data, the value of construction works amounted to R46 billion ($5.8 billion) in 2007, a 32% increase over 2006. (Business Day, March 12, 2008)

Increase in World Cup-Related Investments

¶3. (U) SAG will increase spending to "upwards" of R30 billion ($3.8 billion) on the 2010 FIFA World Cup, according to a report released on March 18. Some R20 billion ($2.5 billion) have been allocated as direct investment in infrastructure. Deputy President Phumzile Mlambo Ngcuka admitted that "in some instance" budget estimates were conservative and adjustments and increases had to be made. With only 815 days before the 2010 World Cup kick-off, the report showed

that building of the stadiums in the host cities was on track. Preparations for transport, information and communication technologies, electricity supply, safety and security, economic and social legacy projects, tourism and communication, were also under way. (Engineering News, March 18, 2008)

Dubai Group Game for Investment

¶4. (U) Dubai World, the investment arm of the Dubai government, has acquired majority shareholdings in three game reserves founded by Eastern Cape ecotourism entrepreneur Adrian Gardiner. Dubai World acquired 80% interests in the Shamwari Game Reserve, Sanbona Wildlife Reserve and Jock Safari Lodge. According to media reports, the deal with Shamwari is valued at about R600 million ($75.9 million). Dubai World was part of the foreign consortium that won the bid to acquire the Victoria & Alfred Waterfront, SA's most-visited tourism and leisure development, for more than R7 billion ($886 million) in 2007. Dubai World Marketing and PR Manager Shadleigh Roscoe said the company had created a "sub-brand" called Dubai World Conservation Africa and this brand was responsible for "ecotourism for the company in Africa". Dubai World Qresponsible for "ecotourism for the company in Africa". Dubai World Chairman Sultan Ahmed Bin Sulayem said "this transaction affords the prospect to grow both the SA economy and tourism demand." The company is expected to invest $1.5 billion in Africa over the next five years. Dubai World representatives expected tourism to increase dramatically as a result of the 2010 FIFA World Cup. "The country should be receiving up to six million tourists a year," according to Dubai Africa CEO James Wilson. Dubai Wilson hinted at future developments in KwaZulu-Natal, adding that the new airport under development north of Durban "would open up the coastline". The group was looking at investing in hotels, shopping complexes, residential developments and golf resorts. The company's R900 million ($111 million) luxury resort in the V&A Waterfront, the country's first seven-star hotel, is expected to be completed by

June 2009. (Business Times, March 16, 2008 and Business Day, March 17, 2008)

Cisco to Open Technical Skills Facility

¶5. (U) Cisco announced the launch of its Global Talent Acceleration Program (GTAP) in Johannesburg. GTAP aims to develop local next-generation network consulting engineers. Cisco indicated a goal to further develop homegrown technical skills through education initiatives. The GTAP facility would eventually act as a hub for Africa. Cisco's South African partner, Torque IT, was one of the first companies signed up to host and manage the program training facility. The program would employ and train South African-based recruits at the professional and associate level, and selected students would go through a program combining theory, industry exposure and hands-on experience. Within the next 12 months to 18 months, the facility would expand in three directions. The first being a 'professional track', which would draw in students with about three years to five years of work experience. Following that, Cisco partners would have the opportunity to put their own staff through GTAP. Finally, students would be recruited to the Johannesburg facility from a range of sub-Saharan African countries. This could position SA as a technology leader in the region. "Cisco is growing rapidly in South Africa, and we have witnessed that demand for technical skills has undoubtedly exceeded supply. The launch of GTAP furthers our commitment to support governments in addressing the shortfall," said Cisco Emerging Markets Senior Director Phil Wolfenden. Cisco had already been working with the SA State Information Technology Agency on the upgrade of its government network. (Engineering News, March 13, 2008)

Coca Cola Opens Quality Testing Lab

¶6. (U) Coca Cola launched a new $6 million quality testing

laboratory in Guateng, which it lauded as its most technologically advanced facility in the world. The facility would test Coca Cola products from bottlers in 56 African countries and territories, to make sure that their quality was on par with products from "New York, Paris, or London", a top official said at the launch function. The facility offered analytical and technical support to bottlers in Africa, testing aspects including the torque of the bottle cap, gas volumes, temperature, pressure, and acid volumes. Coca Cola Global Quality Analytical Services Director Robin Kumoluyi noted that the Africa Technical Center employed 32 full-time workers, creating 19 new positions. Engineering News, March 17, 2008)

Eskom Resumes Load-Shedding

¶7. (U) Unscheduled load shedding by public utility Eskom resumed on March 17, owing to unplanned outages of four large power plants over the weekend, resulting in a loss of some 2,400 MW, in combination with a 3% surge in demand due to cold weather. Eskom spokesman Andrew Etzinger explained that Eskom hoped to have two of the four units back on line by March 18, but the situation would remain tight
Qunits back on line by March 18, but the situation would remain tight through the week. The company said that it was currently using gas turbines to minimize load-shedding. Eskom had not imposed power cuts on residential neighborhoods since February 4. The power utility had advised customers that it was moving to the power rationing phase of its emergency response planning, that it would commence preemptive load-shedding on March 31 and that customers who had failed to cut use by the required 10% would suffer electricity cuts. Eskom previously announced a July 1 dead-line for the introduction of a system of incentives to support power conservation, aspiring to move beyond load-shedding. The current power rationing phase was designed to bridge the gap between the stabilization and conservation phases. (Business Day, Classic Business News, Engineering News, March 18, 2008)

Green Light for New Power Station

¶8. (U) South Africa's Environmental Affairs and Tourism Minister Marthinus van Scalkwyk dismissed on March 17 appeals lodged against construction of Eskom's new coal-fired 5,400 MW power station Project Bravo in Witbank in Mpumalanga. The Minister announced that

"the plant, which formed part of Eskom's plans to boost generation capacity as the country was currently experiencing a serious supply shortfall, would be fitted with the most advanced air pollution abatement equipment ever installed in a South African power station." Eskom would install flue-gas desulphurization technology in order to remove 90% of the sulphur dioxide from the emissions. Project Bravo falls in the recently declared Highveld Priority Area and would be subject to detailed scrutiny for air quality impacts. The ministry's decision also mandated that the new power station be carbon capture ready, requiring submission of a report detailing preferred technology before proceeding with construction. (Business Day, Engineering News, March 18, 2008)

SAG Rolls-Out "Green CFL Lamps

¶9. (U) The SAG has successfully distributed over 12 million energy-saving, compact fluorescent lamps (CFL) to households in four provinces in the last three years. The initiative known as the National Electricity Emergency Plan was introduced in the Western Cape Province in 2006 as a measure to reduce the high demand for power in the area. Over 580,000 homes in KwaZulu- Natal were later retrofitted with more than four million CFLs in the northern and southern parts of the province. The SAG continues to supply an additional 4.5 million CFLs in parts of Gauteng, Free State and Limpopo Provinces as well as the Northern and Western Cape provinces. Eskom spokesman Andrew Etzinger saw the CFL distributing program as "a practical response to the current strain on the system". (Sowetan, March 11, 2008)

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15 Million Euro Carbon Credit Deal

¶10. (U) Diversified chemical and fertilizer company Omnia announced on March 17 its Euro 15 million ($23.4 million) agreement with the International Finance Corporation (IFC), under which the IFC will buy up to a million carbon credits from Omnia over the next five years. This is the first carbon delivery guarantee agreement of its kind in sub-Saharan Africa, and only the second in the world, whereby the IFC mitigates the country and project risk, making the Certified Emission Reduction (CER) carbon credits accessible to a wider range of potential international buyers. According to IFC Southern Africa Region Manager Saleem Karimjee, the IFC has committed to purchase a minimum of 50% of Omnia's CERs for the next five years and guarantee delivery of the credits to buyers, under the Clean Development Mechanism (CDM) of the Kyoto Protocol. The Omnia CDM project, Envinox, is located at the group's Sasolburg plant, and could generate 420,000 CERs per year; from the nitrous oxide destruction facility installed at Omnia's nitric acid plant (nitrous oxide is a green-house gas.) Omnia indicated that carbon credits generated by the plant were expected to add about R60 million ($7.6 million) per year to the company's revenues. (Business Day, Engineering News, March 18, 2008)

Undersea Cable Gets Green Light

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¶11. (U) The 21 parties involved in the East Africa Submarine System (EASSY) project (an undersea, fiber-optic cable along Africa's east coast) have agreed to begin construction of the $235 million system. The EASSY cable will be the second of two systems to be constructed along a route that previously had no undersea cables. EASSY, which has been plagued by delays, will connect SA and countries in East Africa with submarine cables linking the Middle East with Europe and Asia. The EASSY consortium, consisting mainly of telecommunications operators, has commissioned France's Alcatel to build the cable system. SA operators Neotel, MTN and Vodacom/Telkom are the largest investors in the cable system and together are investing at least $50 million in its construction. Telkom Kenya's Simon Olawo, who heads the EASSY Project Secretariat, says a funding shortfall of $15 million was resolved at a meeting in Tanzania last week. "The project is now oversubscribed," he said. He added that the parties are also confident the cable will be allowed to land in SA. Olawo confirmed that EASSY has received an assurance from Department of Communications Director-General Lyndall Shope-Mafole that there would be no hindrance to the cable landing in SA. Olawo downplayed suggestions that the market may be overtraded, with rival Seacom already constructing another cable system along a similar route. "We

think there's a market for two cables," he says, adding that there is enormous demand in the region for cheap bandwidth. "Costs will go down dramatically, especially with the two cables competing." Olawo stated that EASSY will be ready for service by the end of 2009, about six months after Seacom's cable. (Financial Mail, March 14, 2008)

Tribunal Approves Neotel Acquisition

¶12. (U) South Africa's Competition Tribunal has approved a R230 million ($29 million) Neotel acquisition of Transtel Telecoms, a division of State-owned Transnet. Transnet also planned to enter into a master service agreement to appoint Neotel (the country's second, fixed-line operator) as the exclusive provider of electronic communications services to Transnet for five years. Transnet's core rail and harbor operational communications services will remain within Transnet. The disposal of Transtel Telecoms forms part of Transnet's non-core business disposal strategy, which is part of a turnaround strategy focusing on rail, port and pipeline infrastructure and operations. (Engineering News, March 19, 2008)

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